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How Leak Detection Fits In New Tank Regs
Why Denver Market Is So Tough On Jobbers
How Marketer Makes Automation Pay

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Majors Have Cutting Edge In Proprietary Debit Cards

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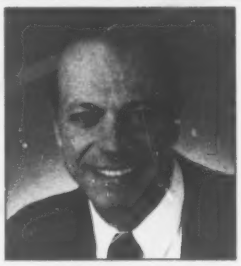

Editor's Viewpoint

Just about every industry I've covered as part of the trade press has had a good line up of associations. But I can say without reservation that few, if any, are as good as those in this industry. PMAA, SIGMA, API and others, as well as all the regional and state groups, do an outstanding job of representing, informing and serving their members in a variety of ways. As with most organizations, this performance is directly attributable to competent, professional, hard working staffs who are genuinely dedicated to this industry and the jobbers who operate in it. What they do and how they do it is sometimes controversial—and often taken for granted.

In addition to these associations, which focus mainly on affairs specifically geared to petroleum marketing, there is another group which until perhaps 10 years ago wasn't very important to most jobbers. But times change and one of the biggest changes is the increased importance of C-stores. Concentrating its efforts on this segment of the market is the National Assn. of Convenience Stores (NACS).

If there are marketers operating C-stores who do not belong to NACS, I strongly recommend you join. Since coming to NPN two years ago, I have been impressed with the professionalism of this organization, the wide range of services, information and instructional programs they offer members and their solid commitment to lobby legislators on issues important to convenience store operators.

My impression was further strengthened when I attended the association's recent 27th Annual Meeting and Exposition. The program included more than a dozen workshops and six roundtable discussions on a variety of pertinent topics such as C-store design and merchandising, attracting and holding good employees, automation and electronic payment systems, the impact of the new EPA regs on gasoline marketing, retail imagery, fast foods, financial and information management. The trade show included more than 800 exhibitors. Marketer/C-store operators from across the country were at the convention and NACS estimates total attendance was more than 10,000.

With the continued emphasis many petroleum marketers are placing on C-stores and the growing competition in that market as more and more players enter the field, the need for expert information on operating those C-stores becomes more and more important. NACS has proven itself to be a key source for that information.

—Frank M. Victoria

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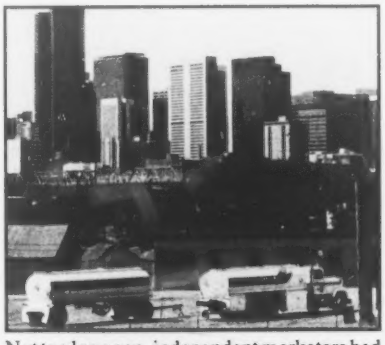
At least four major oil companies have moved to take charge of their debit card destiny by gearing their POS networks to accept proprietary debit cards, thereby bypassing regional bank networks. **Page 34**

Venta, Inc., a 60-store gasoline/C-store independent based in Denver, gets faster feedback of store operating data and saves money with an innovative, low-cost management system. **Page 42**



Not too long ago, independent marketers had the upper hand in Colorado's front range markets. Now, majors and regional refiner/marketers are investing heavily to regain lost market share. **Page 50**

• TRENDS

Is $5 Crude, 10¢ Product Price Cuts In The Making?

Roller coaster rides, with more downers than uppers, are in store for all segments of the petroleum industry this winter, with the possibility that gasoline and retail home heating oil prices may be knocked down as much as 10¢ gal. by spring.

It all depends (again) on the Organization of Petroleum Exporting Countries and especially the production wallop that Saudi Arabia is utilizing to force its fellow producers to the wall, or to their knees—whichever phrase may seem to be more appropriate for the occasion.

In mid-October there was talk that crude oil prices may be allowed to drift as low as $5 bbl. by springtime, which would be sheer disaster for U.S. producers and for debt-ridden OPEC states such as Algeria, Nigeria and Mexico. Exploration and production in the U.S., already at low and declining levels, unquestionably would grind to a near-halt. It also would force product price cuts up to 10¢ gal. from their present levels, according to industry economists and various Wall Street sources.

Such a price drop undoubtedly would foment Congressional demand for protective legislation, either in the form of import taxes or short-term barriers to block cheap foreign oil out of the picture altogether. Already, the Independent Petroleum Assn. of America, which represents small producers, is importuning both the White House and Congress alike to act before it's too late. The short-term problem here is that this is an election year and neither the outgoing Reagan Administration nor the incoming Bush or Dukakis regimes—whichever one wins—would be necessarily gung-ho to take on such a potentially explosive problem at such a time in history.

In mid-October, mostly as a result of Saudi excesses, OPEC production was running about 4-million b/d above the so-called quotas that were supposed to hold prices to the $17-$18 bbl. range. But the $17-$18 range was more ethereal than realistic. In mid-October, West Texas Intermediate—the U.S. benchmark crude—was in the $12-bbl. range. Great Britain's North Sea Brent, another benchmark, was in the $11 range for November delivery and several Arab crudes were perilously close to the $8-bbl. level in the international spot market.

There were deja vu feelings that perhaps another collapse similar to the 1986 cave-in was in the making. Marketplaces and especially the futures pits, as might be expected, reacted giddily as rumors replaced reason and speculators tried to capitalize on tenuous buy/sell hedges.

The one saving grace, if a collapse to $5 crude could come, is that the fall would not be as precipitous or as shattering as occurred in 1986. The greater likelihood is that crude prices might erode to perhaps the $8-bbl. level. The big question mark is how long they would stay there before crawling back up to more respectable levels.

Industry supposition is that refiners would buy and stock the cheap crude oil but would be slow in passing the price decreases down the line. Most refineries are operating in the 85%-90% range now so there is little incentive for them to discount product prices.

The crude oil glut is going to exert heavy pressure on street prices for gasoline, however. That, in turn, could be more injurious to jobber-retailer margins the longer the situation prevails. Lower pump prices could deplete the cash flows of many marginal retailers and force them against the wall, especially those in the gasoline-only business without supportive ancillaries such as convenience stores, car washes and fast lube facilities.

The impact of cheap crude could also bring about a new wave of merger thrusts. Some cash-weak and troubled companies with under-valued stocks like Diamond Shamrock, Phillips Petroleum, Union Oil and Apex Oil, to cite a few, could become bargaining chips by late winter or early spring. Even Texaco Inc., which is still rocking on its heels as a result of corporate raider Carl Icahn's attempt to win control last summer, can hardly be considered healthy enough to withstand another battering.

All things considered, this winter could be another exceptional and hairy period for marketers to cope with. Those caught off guard or in weakened financial straits could find themselves as statistics rather than entrepreneurial activists.

—by J. Richard Shaner

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

AUGUST	Gasoline (All types)	Leaded Regular	Unleaded Regular	Premium
U.S. City Avg.	$1.004	$0.945	$0.987	$1.138
Regions:				
Northeast	1.012	.929	.974	1.152
North Central	1.021	.981	1.013	1.160
South	.999	.932	.976	1.125
West	.988	.936	.983	1.130

Source: U.S. Dept. of Labor, Bureau of Labor Statistics

STOCKS (Add 000 bbl.)

	9/2/88	9/4/87
Gasoline (total)	216,794	224,308
Gasoline (unleaded)*	137,033	132,494
Jet Kerosine	40,401	40,503
Distillates	123,850	123,520
Residual	38,800	42,662

** Included in gasoline total*
Source: American Petroleum Institute